HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 108 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, May 3, 2018

Chair

The Honourable Mark Eyking

Standing Committee on International Trade

Thursday, May 3, 2018

● (0845)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning everyone, and welcome, especially colleagues. We had a very rough day, a tragic day, here in the House yesterday. My sympathies go to all of my colleagues, especially to the Conservatives and those who were really close to Gord.

Gord would want us to continue, so we're going to continue with today's meeting. Today's meeting is all about studying a potential Canada-Mercosur free trade agreement.

I think this is our final meeting, and we're saving our best witnesses for last. We have three witnesses with us, and one through video.

If you haven't been here before, let me tell you that we like to keep the presentation to five minutes, or less if possible, to give ourselves time to have dialogue with MPs.

I'm going to go right into the video conference. We have, from the Canadian Centre for Policy Alternatives, Mr. Sinclair.

Welcome, sir. I think you were with us before.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Yes. It's good to see you again.

Thank you to the committee for the opportunity to be part of your study on a potential Canada-Mercosur free trade agreement.

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute.

In the testimony you have heard to date, a recurring theme is the at-best lukewarm support for the Canada-Mercosur free trade agreement, even from industry groups that have typically pushed for free trade agreements.

The Mercosur bloc is made up of some of the most important countries in the Americas. It is critical that Canada engage with them as partners on a range of matters. But on the trade front, the opportunities are constrained by both geography and highly similar trade profiles. For example, the list of top exports of Brazil and Canada includes fossil fuels, minerals, vehicles, and forestry products. In agrifood products such as oilseeds, red meat, grains, and cereals, Brazil and Argentina tend to compete with Canadian exporters in world markets.

A similar composition of our exports limits potential trade growth. Moreover, Canada currently has a negative trade balance with the Mercosur countries, a situation that has been worsening in recent years.

Negotiating a Canada-Mercosur FTA should not be considered a high trade policy priority. This is especially so given the pressing challenges Canada faces related to the renegotiation of NAFTA.

CCPA has long been concerned with the impacts of Canada's bilateral and regional FTAs on public policy matters only loosely related to trade. In our view, to create a fair and more just trade and investment model, it will be essential to eliminate investor-state disputes on mechanisms that threaten the right of duly elected governments to regulate in the interests of their citizens and the environment; scale back excessive intellectual property rights, especially those that threaten user rights, privacy, and access to affordable medicines; fully protect the right to preserve, expand, and create public services without trade treaty interference; ensure parties adopt and implement key international human rights commitments including those that protect indigenous rights and sovereignty; build in binding obligations to reduce and mitigate the effect of climate change; and include robust protections for cultural industries and cultural diversity.

The prospects for moving towards such a model in the context of a Canada-Mercosur FTA are limited at best. In their external trade negotiations, Mercosur countries, particularly Brazil, have traditionally been cautious about embracing WTO-plus commitments on intellectual property, trade and services, investment, and regulatory co-operation provisions of the sort that have been problematic in many recent Canadian bilateral FTAs.

This creates some space for a more progressive or at least less intrusive trade treaty model. If talks proceed, we strongly recommend that any Canada-Mercosur FTA not include investor-state dispute settlement mechanisms. Currently, Brazil has no foreign investment protection agreement with Canada. In fact, Brazil has never ratified an investment protection treaty that includes investor-state dispute settlement. Canada should also pursue the opportunity to eliminate ISDS from its current FIPAs with Argentina and Uruguay.

The flip side of Brazil's cautious approach is that it has also been critical of including binding labour and environmental standards in trade agreements. This creates a problem for our federal government's recent embrace of a progressive trade agenda. To be called progressive, a trade agreement must, at a minimum, include strong, fully enforceable labour standards. It is also essential to include obligations to ensure that each country enforces high domestic environmental standards while abiding by commitments under multilateral environmental agreements. Achieving these two prerequisites of a progressive trade agenda will likely be difficult in the context of an FTA with Mercosur.

To conclude, in our view, pursuing a standard market access deal with Mercosur based on our current FTA template should not be a priority. If the negotiations proceed, CCPA calls on this committee to urge that the government commission independent human rights and environmental sustainability impact assessments of the proposed agreement, and this should occur early in the negotiating process.

Canada should strive to have its policies mutually support each other. Environmental, human rights, and cultural policies and goals should not take a backseat to trade.

● (0850)

As this committee has also heard from previous witnesses, there needs to be a shift in emphasis from simply signing more bilateral market access deals to providing support for Canadian firms and workers to sell competitive products our international trading partners want while promoting good jobs, healthy communities, and a clean environment at home.

Thank you.

The Chair: Thank you, sir, you're right on time.

We're going to move over to the Mining Association of Canada. Mr. Marshall, you have the floor.

Mr. Brendan Marshall (Vice-President, Economic and Northern Affairs, Mining Association of Canada): Thank you, Mr. Chair, members of the committee, clerk, and fellow attendees. Thank you for the opportunity to appear today and contribute to the committee's study of this important topic.

On behalf of the Mining Association of Canada I'm pleased to communicate MAC's support for a robust free trade agreement between Canada and Mercosur. Mining is a significant engine in the Canadian economy, contributing 3.4% or $58 billion to national GDP. The sector employs nearly 600,000 people directly and indirectly. It supports one of the largest supply sectors in the world, and is a top employer of indigenous peoples.

Mining-associated activities, both domestic and international, generate and support these Canadian economic benefits. For example, metal and non-metal mining products accounted for 19%, or $88 billion, of the total overall value of Canada's exports in 2016. That's one-fifth of Canada's total value of exports.

Mining also accounted for a significant volume of Canadian direct investment abroad, exceeding $90 billion in 2016, or 9% of Canada's total. Much of the above investment that is raised on the open market is transacted in Canada, which represents found money for Canada. As the global centre for mining finance, the Toronto Stock Exchange and TSX Venture Exchange list 57% of the world's publicly traded mining companies.

Recent data indicates that roughly 1,200 of the firms listed on the TSX and TSXV are mining companies, and that together they have a combined market value of nearly near $300 billion. Historically the TSX raises more capital for mining than any other exchange on the planet, and a significant volume of this is raised for projects in Latin America, which jurisdictionally comprises the largest number of TSX-financed projects—18% or over 1,100 projects—outside of Canada.

The assets of Canadian companies operating in Brazil and Argentina combined exceeded $22.2 billion in 2015, underscoring the significance of these two countries as they account for 5% and 8% of the value of Canadian mining assets abroad respectively for that year.

Further, research across a sample of nine MAC member companies indicated that Canadian combined mining investment into Argentina and Brazil in 2016 exceeded $1.9 billion, underscoring that these investments are active and ongoing.

The positive economic impacts created when mining companies procure goods and services in their host countries and communities can be game-changers for economic and social development. While civil society and the public at large have tended to focus heavily on the level of tax paid by mining companies, procurement is the single largest payment type a mining operation will make over its lifespan. Recognition of the role that local procurement can play in helping to achieve the sustainable development goals is increasing. Organizations such as Mining Shared Value, a non-profit initiative of Engineers Without Borders Canada, are promoting awareness with the power of local procurement. For example, a single mine operated by one of MAC's members can spend hundreds of millions of dollars on procurement in a host country. This often represents several times the amount of official development assistance the Canadian government may provide to that country.

Beyond investment and assets and associated benefits, Canadian mining companies are exporting best mining practice. The most significant recent example of this is in Argentina where the Argentine chamber of mining entrepreneurs adopted MAC's toward sustainable mining initiative for use at its members' mine sites. One of six such jurisdictions to do so beyond Canada's borders, Argentina's adoption of TSM represents a significant step forward in co-operation on responsible mining standards between Canada and a very significant mining jurisdiction in Latin America.

MAC supports Prime Minister Trudeau's November 2016 initiative to foster an ongoing dialogue on deepening the Canada-Mercosur trade and investment relationship and is pleased this has progressed to studying the opportunity a free trade agreement presents for both Canada and Mercosur. We encourage the pursuit of such an agreement.

Thank you for your time and I'd be happy to take questions after my fellow presenters.

● (0855)

The Chair: Thank you, Mr. Marshall.

We're going to go the the Agricultural Manufacturers of Canada and we have two representatives today. We have Gene Fraser and Leah Olson.

Leah Olson, are you taking the floor?

Ms. Leah Olson (President, Agricultural Manufacturers of Canada): Yes.

The Chair: Welcome, and you have five minutes.

[*Translation*]

Ms. Leah Olson: Thank you, Mr. Chair, ladies and gentlemen, members of the committee.

[*English*]

Thank you for the opportunity to be here today as you continue your study on a potential Canada–Mercosur free trade agreement.

One of our members, MacDon Industries, is represented today by Gene Fraser, vice-president of global sales and marketing. Gene can also speak to the realities of current trade with Mercosur countries from the perspective of MacDon Industries.

The Agricultural Manufacturers of Canada is a national, member-driven organization, founded in 1970 to promote a strong and healthy agricultural equipment manufacturing industry in Canada. Our members are export businesses and there are significant market opportunities in Brazil and Argentina, so this is a very important issue for our industry. We wholeheartedly support a free trade agreement with Mercosur.

With just under 300 member organizations, our members manufacture specialized farm equipment, including but not limited to grain handling and storage, seeding and harvest equipment, livestock handling and feeding systems, hay equipment, spraying equipment, etc. Just over 50% of agricultural equipment manufacturers are located in rural communities with populations of fewer than 10,000, and despite this remote location, 80% of our members export.

Canadian-made farm equipment is amongst the highest quality and most sought-out in the world. In 2017, Canadian farm equipment manufacturers exported more than $1.9 billion of implements to 154 countries. A number of our members export to more than 40 countries per year, and we have one located in a rural setting that is exporting to over 60 countries per year.

Our members lead the world on intellectual property of agricultural equipment. Innovation happens every day because our members are talking directly to farmers and responding to their needs by further refining and enhancing their products. Trade is a vital part of our industry. Not only do we want to work with the government as a partner addressing climate change, we also support ambitious trade goals, opening up new markets for Canadians, especially Canadian farmers.

We recently met with Minister Champagne and encouraged him to pursue new opportunities in China and Asia as they open up timely and expansive opportunities for Canadian farmers. Latin America is another market that many Canadian agricultural equipment manufacturers are focused on and pursuing.

Argentina and Brazil regularly come up among the top 10 countries Canadian agriculture equipment manufacturers export to. We have some members, like MacDon, that have been investing people, time, and real dollars into the Mercosur region. The other part of our export story is our many other small to medium-sized organizations that employ people in rural Canada that are not yet able to access the region. Canadian farm equipment manufacturers seeing challenges in the Mercosur region range from those of fewer than 100 employees to those with 500 plus. They are the small to medium-sized enterprises that could employ more Canadians if their export sales potential in Mercosur were made possible by a free trade agreement.

The key challenges our members highlight regarding Mercosur include tariffs, import taxes, unclear regulatory processes, flow of money, stealing or lack of protection of intellectual property, or a combination of all of the above. One of our members, the WGI Westman Group, which manufactures grain storage and handling equipment, affirms:

> We have looked at the Mercosur market in the past, with Brazil being the most important market due to the size of the agricultural market and the population. Current tariffs are at a level which makes exporting to Brazil impossible. The current political climate in Brazil is such that entering the market as an outsider is prohibitively difficult. Our perception of the political situation in Brazil is that it doesn't support bringing new companies into the country to make the products and clearly favours local well-established businesses. This lack of support makes the risk of expansion into Brazil far too high. Due to these issues and the fact that other international markets are easier to access, we have not focused much energy on Brazil.

Another member, Soucy International, which designs, develops, and manufacturers track systems in Quebec, says:

> We have been actively developing the Mercosur market for the last five years as a pioneer in that market with our rubber track system. Argentina's import process is very complex with the requirement to get an import permit on a piece-by-piece basis. It is a very long process to attain it. For us this is a huge limiting factor because a portion of our products are sold in emergency harvesting situations and time is critical for the farmers to avoid the loss of their crop.

In conclusion, we encourage the federal government to aggressively pursue a free trade agreement with Mercosur that will reduce the tariffs in Argentina and Brazil for Canadian-made farm equipment. AMC members help drive the Canadian economy, especially in rural areas. They are global leaders in innovation, and entrepreneurs who are helping to feed the world. Opening up international markets is integral to Canada's innovative and sustainable future. We understand the government is pursuing a progressive trade agenda. On the environment and climate change, exporting Canadian agricultural equipment is the right thing to do. AMC will be very supportive of truly open access to the Mercosur market for Canadian farm equipment manufacturers.

● (0900)

I'm happy to answer any questions you may have.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you.

Before I go to the MPs, Mr. Fraser, does your company make machinery also?

Mr. Gene Fraser (Vice-President, Global Sales and Marketing, MacDon Industries Ltd.): Yes, in Winnipeg.

The Chair: What kind of machinery do you make?

Mr. Gene Fraser: We make headers for combines. That's the front attachment that goes on a combine to cut crops like soybeans, wheat, various crops, grass seed, etc., around the world. We also make windrowers, which are used in grain harvesting and canola harvesting here in Canada and places like the CIS regions of the world. We also make hay equipment, pull-type hay equipment, sold here in Ontario and throughout North America. We have OEM-style agreements—original equipment agreements—with companies like Claas, John Deere, AGCO, and Krone. These folks are large world players on the agricultural manufacturing stage. We compete with them and also are customers.

The Chair: That's impressive. It's good to see you here.

We're going to go right to questioning.

We've got Mr. Allison for the Conservatives for the first five minutes. Go ahead, sir.

Mr. Dean Allison (Niagara West, CPC): Thank you, Mr. Chair.

Thank you to our witnesses for being here today.

Mr. Marshall, I'm going to probably direct most of my questions to you. I know Mr. Hoback knows this other industry very well, so I'll let him focus on that.

You talked about one of the greatest things that a country can do where mining's great as a whole procurement process. Talk to us a bit about what the tariffs are like for you guys right now to operate in some of these countries like Argentina and Brazil.

● (0905)

Mr. Brendan Marshall: I'm not going to speak about the tariffs for accessing product, because in this instance, a lot of the products that are produced in both Canada and Argentina or Brazil aren't exported to the other jurisdiction; they're brought to international markets. When you think about China as consuming 50% of global demand for minerals and metals, and the supply chain distance between our mining industry and the mining industry down there, the physical movement of product isn't a principal concern. What's more of a principal opportunity, I would suggest, is the movement of capital, the movement of people, and the strong linkages that already exist between Canadian mining companies and operations in those jurisdictions.

What we see as opportunities through this free trade agreement would be to strengthen the security of the movement of that capital, to strengthen the protections around those capital investments in those particular countries, as well as to enhance access for labour mobility, labour movement, and other non-tariff related areas of progressive trade agreements.

Mr. Dean Allison: What's your experience been like now with your members that deal with these countries? We've heard as we chat with some of the witnesses that it's complicated and a lot of times the countries themselves have a hard time agreeing on best practices or rules and change in them and all these other kinds of things. From your membership's point of view, what has the experience been? I totally get that the reason we look at deals is to create rules-based trade.

Mr. Brendan Marshall: Yes, exactly—

Mr. Dean Allison: [*Inaudible—Editor*] exactly what you're saying. What's the experience now? It sounds to me as if it is a challenge for your membership in dealing, maybe because of some of the uncertainty, and you're hoping that is what would be different about a deal: to create more certainty.

Mr. Brendan Marshall: Sure. I'm confident that, given the longevity of this committee's study of this opportunity, there's been briefing on the instability in recent years in Argentina in particular. However, I would also suggest that the country has recently undertaken a relatively significant reform initiative to try to bring that economy back into eligibility for greater levels of partnership with world-leading economies.

This is an opportunity, I think, for Canada to really demonstrate leadership to help support that reform initiative.

To get to your question about what some of the historical challenges have been, the reality in mining is that minerals are in the ground. If you're going to develop a mine, you're going to spend a minimum of a billion dollars to dig a hole and extract those materials. Political uncertainty is a reality when you operate outside of a jurisdiction like Canada that is historically very politically stable. Investment protections, though they are seldom used, provide companies and investors, in particular, with a greater level of confidence that the particular investment will have a greater degree of security, a greater degree of reliability than comparable investment that's without those types of opportunities, those types of protections.

As a general principle, and for that potential for a stranded asset to move forward, the mining industry supports investment protection mechanisms in free trade agreements.

Mr. Dean Allison: I have another really good question but I only have 15 seconds left so I'll have to pass.

The Chair: We can hunt that fear into your colleague.

Mr. Dean Allison: Thank you very much.

The Chair: We're going to move over to the Liberals now.

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you to the presenter.

Mr. Sinclair, just as you said, support for this agreement is lukewarm. Many others who came here as witnesses had the same view. In your view, besides NAFTA, where should our focus be? You think we shouldn't be putting too much effort here.

● (0910)

Mr. Scott Sinclair: I think, as you heard from the Canadian Manufacturers & Exporters, Canada has been engaged in serial market access negotiations for some time. The previous Conservative government signed many agreements, but I think the focus should be more on supporting Canadian firms to be more internationally competitive, and that involves significant investment in innovation and productivity enhancement and the kinds of diplomatic and other supports that can be provided outside the context of free trade agreements.

In your previous testimony, I was struck that groups that had been very strongly supportive of CETA and other agreements were saying that their early experience had not been positive, including the agrifood exporters. I think there has to be a lot more investment in supporting our firms and our workers to be successful in global markets, which is essential.

Mr. Sukh Dhaliwal: Thank you.

Mr. Sinclair mentioned innovation. Ms. Olson, I want to congratulate you and your members for putting in the effort and being world leaders when it comes to export.

You mentioned that besides Mercosur, we should be focusing on China and Asia. In Asia, is there a particular country where we would be more competitive and able to meet their demands?

Ms. Leah Olson: The Chinese government is investing heavily into becoming food-independent, and when we look at Canada's comparative advantage in agriculture, it's our farming practices. Because Canadian farmers and ranchers are growing food in some of the harshest conditions in the world, by necessity, the equipment has to be top-notch. That is what makes our industry so innovative and so strong.

When we look at China, the efforts there, the types of farming they have, are still very manual and the land sizes are relatively smaller, generally speaking. We have encouraged the government and we've spoken with Minister Champagne about this issue specifically, encouraging the government to pursue an agreement with China. Other areas in Asia depend on the type of equipment, so we applauded the signing of the CPTTP but more from the perspective of giving Canadian farmers much broader markets, a stronger financial statement, if you will, and by virtue of that, that will enable them to invest into the latest and greatest farm equipment. In Asia generally, we think there's a great opportunity for the federal government to be pushing and opening up more markets.

Mercosur is unique. Argentina and Brazil are unique because they have tariffs on agricultural equipment. In most markets, Canadian-made farm equipment flows without tariffs, so for that reason, we would like that to continue. In Argentina and Brazil, the tariffs are prohibitive, as our members have identified, and I made reference to in my comments.

Mr. Sukh Dhaliwal: Mr. Marshall—

The Chair: I don't think there's time. We're going to have to move on to the NDP.

Go ahead, Ms. Ramsey.

Ms. Tracey Ramsey (Essex, NDP): Thank you, and thank you everyone for being here today.

To Mr. Sinclair's point, I think this study has been quite unique for us at the trade committee because, for a very welcome change, we're not only discussing dropping the tariffs; we're talking about all the other issues that exist beneath them. If we don't start to address those in trade agreements in a way that's meaningful, then we can open all the doors we want to countries, but we're never going to be able to go through them. Unfortunately, because of our regulatory system, all of those countries have very easy access to Canada. We don't want to see that undermine the success of any of the sectors that are trading, which are essentially all of them.

I want to ask Mr. Sinclair something this morning. You spoke about ISDS. I think there has to be this distinction. We've certainly heard from Mr. Marshall that they are looking for a state-to-state resolution process in terms of being able to resolve issues, but ISDS in the Canadian context has been quite harmful.

Yesterday we saw the result of the federal government trying to push back against a NAFTA Chapter 11 ISDS ruling against us in the Bilcon case, which would essentially see Canada forced to pay $443 million because of future profits that Bilcon says they have lost. This is the largest amount we've ever talked about in this kind of trend up in the losses that corporations are trying to get from the Canadian government.

Can you speak a little bit to that particular case? What other dangers do you see in ISDS and the trend we're on in terms of what's being sought by these foreign corporations? Essentially, we now know, with this ruling, that we are defenceless.

● (0915)

Mr. Scott Sinclair: Canada has been the brunt of many attacks against our public policy through the investor-state dispute settlement mechanism. We are the most sued party under NAFTA. We have paid out over $200 million so far in awards and settlements. We have also incurred over $100 million in unrecoverable legal costs, defending ourselves. The majority of these cases, as in the Bilcon case, have been challenges to public policy.

You mentioned the Federal Court ruling yesterday where they weren't looking at the merits of the case, but they were constrained to say, because of the way the tribunal is set up and because of the way the system works, that it did not exceed its jurisdiction, so Canada failed in setting aside that award. Now we will see what will happen in the damages phase.

I think the most insidious impact is the effect on policies—in this case, our environmental assessment process—and the notion that foreign companies can opt out of that process and then attack it.

I also want to say that Canadian companies, and I would say, particularly in the mining sector, have used investor-state dispute settlement abroad in a way that I think brings Canada into disrepute. We've seen three recent cases against Colombia that were to do with setting aside an important natural area that provides much of the country's water. We've seen three Canadian-registered companies bringing challenges under the Canada-Colombia Free Trade Agreement, which is something we predicted would happen.

The availability of third party financing, hedge funds, and others in this area has increased the intensity, and there is a reaction in Colombia. I had a very interesting discussion with a Colombian investment official. They are not happy about this situation. This is not what they feel they signed on for.

The Chair: You have time for a short question and short answer.

Ms. Tracey Ramsey: You mentioned that Brazil has never had ISDS, and currently we would have to remove Argentina and Uruguay. How do you envision that process happening where we would be able to have that removal?

Mr. Scott Sinclair: We're sitting down to negotiate with them. Argentina has had a very negative experience under investor-state dispute settlement. They are the most sued country in the world. There are outstanding claims of billions of dollars. Either in the context of this negotiation or simply in a straight bilateral negotiation, I think that even their current government, which is more conservative than their previous ones, would be willing to entertain that.

Brazil is interesting. It is one of the most significant destinations for foreign direct investment in Latin America. They have never ratified a treaty that includes investor-state dispute settlement, and many believe that—

● (0920)

The Chair: We'll have to leave it at that, sir.

Ms. Lapointe, go ahead.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

Good morning and welcome, everyone.

I have a question for you, Ms. Olson, concerning your association. You said earlier that there were issues with exports. You mentioned regulatory processes. You also said that there was a lack of protection for intellectual property.

Are there any free trade agreements we could look to for inspiration in order to include in the free trade agreement between Canada and Mercosur provisions that would protect us from that type of situation?

Ms. Leah Olson: Thank you for your question.

I must speak to the members of the association about that again. Normally, there are no tariffs. The Canada-Mercosur agreement is truly unique because it includes tariffs. However, let me put the question to our members.

Ms. Linda Lapointe: Fine.

The Soucy group, which you mentioned in your statement, is located in the Lower Laurentians, not very far from my area. That enterprise manufactures tractor tracks for export.

You said earlier that there were per unit import tariffs. If the group makes a range of products, does it have to have each one accepted sequentially?

Ms. Leah Olson: Yes.

Ms. Linda Lapointe: If we had a free trade agreement, do you think that would solve the problem?

Ms. Leah Olson: I think so.

Ms. Linda Lapointe: Fine.

Mr. Sinclair, I have a question for you.

Earlier, you told us that we should concentrate on the following aspects: support our Canadian businesses, make them more competitive globally, and increase productivity. However, you did not provide information on Canada's export capacity, and on whether we are capable of sending our goods outside the country. I'd like to hear your comments on that.

[*English*]

Mr. Scott Sinclair: I think that Canada clearly needs a long-term game plan to increase the competitiveness of our industries and to ensure that we have industrial policy supports, the labour policy, and labour adjustment supports to back that up. We have to ensure that we're selling products that the world needs and that create decent jobs at home and respect the environment, at home and abroad. There is a whole range of issues that require urgent attention. Other countries—China was mentioned—take a very intensive approach. They have planned ahead to identify the industries in which they wish to be competitive in the future. We need to be thinking along those lines as well.

[*Translation*]

Ms. Linda Lapointe: Thank you.

My next question is for Mr. Marshall, whom I welcome to the committee.

Earlier, you referred to indigenous peoples. You said that the mining industry is the biggest first nations employer. Do you think first nations were consulted? I am asking you that because the businesses you represent employ many indigenous people.

[*English*]

Mr. Brendan Marshall: I'm sorry, but the translation didn't really bring the question through.

Have the indigenous peoples been consulted in what respect?

[*Translation*]

Ms. Linda Lapointe: Yes.

[*English*]

Mr. Brendan Marshall: In what aspect?

[*Translation*]

Ms. Linda Lapointe: About the Canada-Mercosur Free Trade Agreement.

[*English*]

Mr. Brendan Marshall: I think the committee would be best fit to answer that question. How many indigenous people have you brought before the committee as witnesses? I can't answer that question.

[*Translation*]

Ms. Linda Lapointe: No. You said earlier that you were the largest employer of first nations people.

[*English*]

Mr. Brendan Marshall: That's fair enough. In the Canadian context, mining is the largest employer of indigenous Canadians. Companies frequently consult with their communities about the projects that are ongoing within Canada.

[*Translation*]

Ms. Linda Lapointe: Yes.

[*English*]

Mr. Brendan Marshall: With respect to free trade agreements with other countries, that would not be a subject that indigenous communities have brought to us as a priority of theirs.

[*Translation*]

Ms. Linda Lapointe: I have another question.

Earlier, you said that Canadian mining industries have the best practices. That means that when you go abroad, you also export best practices. What form do these best practices take? Does this concern the environment, or working conditions?

[*English*]

The Chair: Could you give a short answer, please?

Mr. Brendan Marshall: In the interest of giving a short answer, I can only go into so much detail, but I'd be happy to give the committee some documentation if that would also be helpful.

MAC has a program called Towards Sustainable Mining. It's a mandatory practice for all of our members' Canadian operations. In recent years, it's gained a lot of international traction. It's now practised by six other mining industry associations in other countries around the world, one of which is Argentina. That program requires site level third party verification of practice ranging from tailings management to indigenous community engagement or local community engagement, to energy and greenhouse gas emissions management, to emergency response, and to child labour. It's a pretty robust program. Companies report against their own achievements and then are audited by a third party, the results of which are made publicly available to local communities, and it's done at the mine site level.

If a local community member has a concern over a particular area of practice of that company or that operation, they don't need to call head office. They can look online, come to our website or to the local country organization website, and see in detail how that company's performing in that area. There are required mechanisms in place to be established for communication protocol so that, if a complaint is made, that company has to respond in a deemed-appropriate way relative to the concern of the local community.

● (0925)

Ms. Linda Lapointe: Thank you very much.

The Chair: Thank you, sir.

I don't like to make witnesses uncomfortable, because we're trying to get everybody in, and we only have a short window, but if the witnesses ever feel they can't get their total views across, we welcome any submissions you have. Even if you think of something later on, we'll take it here.

We're going to move on to the second round with Madam Ludwig.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you, and good morning.

My first questions are to Ms. Olson and Mr. Fraser.

Earlier this week, I attended the blueberry growers breakfast, and they talked about the challenge of China. They see great potential with China, and I'm wondering, firstly, are you involved at all with agricultural equipment with the blueberry growers?

Ms. Leah Olson: There are some of our members who are involved in that element of harvesting, yes.

Ms. Karen Ludwig: They talked about a 30% tariff on wild blueberries going into China, and a 17% value-added tax, versus Chile with their cultivated blueberries, not wild blueberries, that has a 0% tariff going into China and a 13% value-added tax.

If you were looking at the priority between China and Mercosur, would you have one preference over the other in terms of an agreement?

Ms. Leah Olson: At this time, Canada's comparative advantage is in the harvesting equipment, some of the dryland equipment, and there's also a substantial amount of beef and livestock in Argentina and Brazil. I think the challenges and the market potential there are huge.

Relative to China, a lot of our members are looking at the intellectual property standards there. From that perspective, they're simply not going there, because when they do, they start to see their products. I think Gene may be able to talk about some of their experiences in China, but I would say, between the two, we see Mercosur as being a huge priority. I've tried to say to our members that it's important for us to be here, because a free trade agreement will take six years, speaking conservatively, to get concluded, and some of our members have asked if we could get it done yesterday.

We appreciate the collegiality of this committee, because Mercosur is a huge region for our industry.

Gene, do you have any comments on that?

Ms. Karen Ludwig: I might just jump over to Mr. Marshall, and if we have time, we can come back. Thank you.

Mr. Brendan Marshall: I don't think it's necessarily a question of there being limitations. I would pivot and ask what opportunities there are for increased certainty, collaboration, and co-operation. As I mentioned earlier, to Mr. Allison's question, mining companies have a unique reality in that when they make an investment, that investment is geographically bound within the borders of that particular country. The extent to which investors can have a greater degree of confidence that this investment will be protected and respected creates a greater degree of confidence that this investment will proceed.

There's one other thing I would mention and it builds off some of the comments and questions that were raised earlier. I think it also dovetails nicely with Mr. Sinclair's point that we need to support businesses to be eligible and competitive for international trade. In this country we're currently witnessing a significant crisis in our rail freight market. The ability to move products to shore is critical, because trade begins at home. We can negotiate agreements from now until kingdom come. If we can't effectively get product at a cost-competitive rate from a landlocked province to tidewater, then we're not going to be able to take advantage of any new market share that any agreement's ever going to provide for businesses.

● (0930)

Ms. Karen Ludwig: Okay.

Mr. Brendan Marshall: Bill C-49 that is before the House, in our view, is a lost opportunity to support—as Mr. Sinclair says—local Canadian businesses to take advantage of that type of market share.

Ms. Karen Ludwig: Thank you for that. I would ask you one quick question. Recently there was an announcement for a mining ombudsman. We have heard before the committee some criticism regarding Canadian mining companies internationally. How do you see that working, and how do you make your foreign employees aware of that?

The Chair: It has to be a quick answer.

Mr. Brendan Marshall: My colleague Ben Chalmers is the lead on that particular file. I think the best approach for me to answer that question will be to provide some documentation to the committee on the industry's views on the ombudsman.

Ms. Karen Ludwig: Thank you.

The Chair: We appreciate that.

We're going to move over to Mr. Hoback, who is no stranger to machinery. Go ahead. You have the floor.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair.

Again, welcome, witnesses, to the committee here this morning. It's great to have your evidence being presented here, and it's good to get it on the record.

In my previous life with Flexi-Coil, Case, and New Holland, I spent a lot of time in Brazil, and not so much in Argentina, but in western Europe too. I can remember just drooling the first time I went down to Brazil and looked at the farmland and the capacity and double-cropping. For example, that MacDon header gets used twice a year, where in Canada it gets used once a year.

Maybe give us an idea of what you think this agreement should look like when it's completed. What would you need to have in the agreement to take advantage of the marketplace—tariff reductions, visas? Maybe you can just get that on the record for us. Once the agreement is done, what tools would be required so that we could actually take advantage of it?

Mr. Gene Fraser: I think, from our perspective, being one of the larger members of the AMC, we are in there already. We have been in there for a number of years.

I made reference before to OEM, original equipment manufacturer. We sometimes have products go into marketplaces that are not under the MacDon name, and that's originally how it went in there under the Case and New Holland names.

For us, the certainty around the tariffs.... Today, it's at 14%. The wild part for us is that it could change. It could go to 16% or 18%. I would say the governments there seem to be conducive to wanting everybody to localize in that marketplace today, and the 6% rules of content and value on what they're talking about today is a big thing from our perspective.

Mr. Randy Hoback: Yes.

Mr. Gene Fraser: The other thing from, let's say, an EDC standpoint is access and distribution to the marketplace's uncertainties. Today, because we don't have a localized product there from a MacDon perspective, we don't get the MODERFROTA and it's offered by FINAME that's in there today. Therefore we're penalized on that side as well.

We have many impediments. I would say finance, the tariffs, and any other certainties that we can bring to the marketplace there would be good.

Mr. Randy Hoback: I know visas were an issue going into Brazil. It was frustrating. You'd wait and wait for a visa.

Mr. Gene Fraser: That doesn't seem to be an issue for us anymore. We have six people on the ground there today in Brazil. We're at a major farm show in Brazil this week. It's quite easy.

Ms. Leah Olson: Can I just add to that? From the perspective of the financing and the credit availability, I'd like to just share with—

Mr. Randy Hoback: It has to be quick.

Ms. Leah Olson: Yes.

We have a small member who says one of their fears, given the current volatility in leadership in Brazil, is that EDC may not be consistently available.

Our organization took great advantage of EDC availability in Russia and Ukraine. When EDC's policy on this area changed, we were left sitting on several container loads of product specific for the area that we could not ship. Unfortunately, the relationships that we had spent years cultivating were severed. The loss was acute.

For our industry, the tariffs are not necessarily the biggest impediment. It's the development—as you know with your background—of the distribution model. When you sell something into Brazil or Argentina, you need to make sure you have the service available on the ground to work with the farmers and ranchers using your products. That's more of a risk.

● (0935)

Mr. Randy Hoback: One thing about farm machinery is that it's something you service all the time. You're always fixing it. You're always adding parts, changing parts. It's wear, componentry—

Ms. Leah Olson: Unless it's a MacDon.

Mr. Randy Hoback: —so you need to have those dealers there too.

From MacDon's perspective, are there any componentries that you'd see buying out of those markets that would add to your competitiveness internationally? You sell all over the world. Are there any items that you could say if we could get that cheaper out of Brazil or Argentina, it would bring down our global costs and make us more competitive.

Are there any items like that?

Mr. Gene Fraser: We have looked at that. It's no secret. We have looked at the localization in that marketplace. It is not something that is high on our priority currently, because of the uncertainties of government. It's employees, it's all the things you get into when you enter a marketplace and say you're going to produce the product in that region.

Mr. Randy Hoback: That gets into my ISDS.

With ISDS, under NAFTA, we did some $5.3 trillion in sales. That's how much volume is moved through NAFTA. We've had about $140 million in payouts, so it's less than 0.0004%.

When we hear about people talking about ISDS—I think Brendan, you'd probably comment on this—for you to go into Argentina without ISDS or some sort of protection equivalent to ISDS, I don't think it would be that attractive. There have been many Canadian mining companies that have gone into Argentina and said this looks great and then left in tears. You'd need some sort of ISDS, I assume, protection for investment in that region, would you not?

The Chair: A short answer, please.

Mr. Brendan Marshall: Yes.

The Chair: That's it.

Mr. Marshall, it doesn't always happen this way. It seems that everybody has had the last question for you, and it's always a good question. It's just—

Mr. Brendan Marshall: That's okay. I appreciate that my copresenters here also have important views to share.

The Chair: It's all good.

Anyway, we've got time for one more MP, and Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair.

Let's give Mr. Marshall a chance here.

Mr. Marshall, on the financing of projects, would much of that financing come through Canada? Would that be the Scotiabanks, the EDC's, etc., for those mines?

Mr. Brendan Marshall: A lot of capital is raised within Canada and spent within Canada but also invested abroad.

Over a long time, the Canadian mining industry has developed a business ecosystem that is broadly representative across the supply chain of the business, ranging from exploration to finance to supply to mining to equipment. It's holistic.

Over the course of that development, the Toronto Stock Exchange has become the world-leading exchange for mining investment and capital raising. That's found money for Canada. When we say things like $90 billion has been invested outside of Canada's borders, that doesn't mean there's not a significant benefit to Canada or Canadians from that money and the infrastructure that the industry has within Canada—white-collar jobs that support mining development and practice in Toronto, Vancouver, Edmonton, etc.

These are opportunities and benefits that Canada has and should robustly protect.

Mr. Peter Fonseca: I take it that's the exchange, the banks, large law firms—

Mr. Brendan Marshall: Environmental engineering organizations.

Mr. Peter Fonseca: Environmental engineering. All of that is value added. That's great to hear.

I want to go to Mr. Sinclair.

Canada is a trading nation. As we negotiate these trade agreements, there are compromises that are made. Everybody has to put a little water in their wine, as they say.

I know that you were offside, maybe on NAFTA or on Mercosur.

I want to get an idea of what agreement you do like, and what you would say is a good agreement. Is it CETA, CPTPP? What component? Is there a trade agreement that is favourable to you that you like in the world?

Mr. Scott Sinclair: I tried to make the point that Canada keeps reproducing the same template over and over again, and there hasn't been, as yet, a significant difference, even with the new government, the Liberal government, from the Conservative template although—

● (0940)

Mr. Peter Fonseca: Not even with CETA? You don't like CETA?

Mr. Scott Sinclair: —just one moment—with the NAFTA negotiations, there are some promising proposals on the table on labour and other issues that I view as constructive, and I have said so publicly. However, as I said, our concerns mainly relate to the non-trade elements that have been "glommed onto" trade agreements, for example, intellectual property and investment protection. There is considerable evidence that these have gone too far in interfering with our public policy autonomy and our ability to have a balanced and good government.

Mr. Peter Fonseca: Thank you.

Ms. Olson, does your group fall under the Canadian Manufacturers & Exporters? Are you part of that association?

Ms. Leah Olson: We are more niche. Many of our members are members of both, however we represent farm equipment manufacturers, and so in Canada all of the manufacturing of farm equipment —except for one facility in Saskatoon, which is a CNH facility—is what we call short-line farm equipment, and so with MacDon, for example, they specialize in harvesting equipment. We have other members, as I said in my opening, that specialize in other types of equipment, from livestock to whatever, so our members are pretty unique in that way.

Mr. Peter Fonseca: The reason I asked the question is that we had the CME in and they were telling us that Canada lacks those mid-sized companies. We may have one or two, or a few large companies, but everybody else is really small, five to 10 people. For your members, what would be the average size, and do you have any of those mid-sized, 50, 100, 200-type employee companies?

Ms. Leah Olson: Most of our members would be in the 50 to 100 —

Mr. Peter Fonseca: They would be in the 50 to 100 range. They say that's where the opportunity is for more of the exports.

Ms. Leah Olson: Yes, and that is where our industry is quite different. In Ontario for example, in 2017, Ontario-based agricultural equipment manufacturers broke the record, with $773 million worth of implements being exported. That's the largest coming out of any province, so there's a very big group, specifically in southwestern Ontario, that does exceptional manufacturing and they have from 20 up to 100 employees.

The Chair: We will have to cut it.

Go ahead, Mr. Fraser, for the last comment.

Mr. Gene Fraser: From the standpoint of the size of companies, ours is in the range of 1,400 to 1,500 people. We just hired 42 students this week. They've started and are all bright-eyed and bushy-tailed, coming to work for the first time, and they're going to be working through the summer with us. These sizes of companies, the ones we're talking about it, have vastly changed the median for the manufacturers association.

Mr. Peter Fonseca: Thank you.

The Chair: Thank you.

That wraps up our dialogue with MPs.

Thank you, witnesses, for coming for this first half of this morning. They have been good presentations, good dialogue and you're welcome to have a copy of our report. It will be done after we return from our visit from South America.

I have to leave the chair after this meeting. I'm going to present our report to the House, and Mr. Peterson is going to take the chair.

I'd like to welcome the member for Laurier Sainte-Marie. It's good to have you with us. I hope you're staying for the second half.

Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP): Thank you, Chair.

The Chair: Good.

We'll suspend for a few minutes and then we'll get back at it.

● _____ (Pause) _____ ●

● (0945)

The Acting Chair (Mr. Kyle Peterson (Newmarket—Aurora, Lib.)): We'll resume our study here today.

Welcome to our witnesses.

We have Brian Innes, from the Canola Council of Canada—it's good to see you with us again; and David Adams, from Global Automakers of Canada—it's good to have you with us, too.

I think you have been briefed. I believe you've both presented before. You have a five-minute introductory statement, and we'll start with Mr. Innes.

Mr. Brian Innes (Vice-President, Public Affairs, Canola Council of Canada): Thank you very much, Mr. Chair, and thank you to the committee for the invitation to be here today.

It's always a pleasure to share how the canola industry can prosper from more open, free markets. Today our particular comments will focus on how we can eliminate barriers in Mercosur, as well as how Mercosur compares with other high-priority opportunities in Asia.

Before I start, I'd like to briefly describe the Canola Council. We're a value-chain organization representing the whole canola industry, from the 43,000 Canadian farmers to seed developers, to processors who crush the seed to make oil for humans and meal for livestock, as well as the exporters who send canola for processing at its destination.

International trade is definitely the lifeblood of our industry. More than 90% of everything we grow in Canada is exported in one form or another. We have a plan to export even more. "Keep it Coming" is our industry's strategic plan to increase demand for canola oil, meal, and seed, and to meet this demand through sustainable production and yield improvement, achieving 26 million metric tons of production by 2025.

To put that in perspective, it means that when we achieve that plan we'll add $4.5 billion worth of exports in order to meet Canada's $75-billion target for agrifood exports by 2025. To do this, we need to keep eliminating barriers to trade and we're very appreciative that the committee is focusing on how we can do that.

Now I'd like to focus on our perspective as to how Mercosur compares with other opportunities in Asia for our sector. While we support eliminating trade barriers wherever they exist, the canola industry does not see Mercosur countries providing significant export opportunities for our sector. We do see incredible growth opportunities in the Asia-Pacific region.

For example, implementing the comprehensive and progressive agreement for trans-Pacific partnership could increase our value-added canola exports by $780 million per year.

When the CPTPP is implemented, the industry can recover from our current competitive disadvantage. For our exports to Japan, we're at a 7% disadvantage compared to Australian canola oil. Australia has an agreement with Japan, and Canada does not.

Similarly, a trade agreement with China would bring significant growth opportunities for canola. Our industry estimates that eliminating tariffs on canola into China would support an additional 33,000 Canadian jobs and bring an extra $1.2 billion worth of value from our exports, so we encourage Canada to start negotiations with China so we can bring more jobs and growth here to Canada. As we pursue negotiations with Mercosur, we must ensure that the CPTTP is implemented and negotiations with China proceed.

Now that negotiations with Mercosur countries have started, however, we should use these discussions to eliminate barriers facing our exports. As the wealth of Mercosur economies grows, their demand for our healthy oil will grow as well. A trade agreement should eliminate the tariffs that currently face our products. For example, our oil has a tariff of 10%, and our meal has a tariff of 6%. Eliminating these tariffs will help us grow our value-added exports from Canada.

An agreement with Mercosur also presents an opportunity to reduce non-tariff barriers facing our exports. Many similarities exist between the agricultural exports of our country and the agricultural exports of Mercosur countries. As large grain and oilseeds producers, we both export most of what we produce and face many of the same barriers in our export markets, barriers related to the spurious use of sanitary and phytosanitary measures, as well as barriers related to biotechnology. A free trade agreement between Canada and Mercosur has the potential to build momentum for disciplines in these areas, between our countries and beyond.

In closing, canola has grown to a Canadian success story because we have had access to international markets free of tariff and non-tariff barriers. We're excited to help meet Canada's target of $75 billion in exports, and eliminating more barriers is what's going to help us get there. Focusing on ratifying the CPTTP, advancing trade talks with China, and eliminating barriers in Mercosur are important steps to help us get there.

● (0950)

We hope we'll have success in this endeavour, so that we can continue to provide excellent opportunities in terms of Canadian jobs and the 250,000 Canadians who are currently employed by the canola sector.

Thank you very much.

The Acting Chair (Mr. Kyle Peterson (Newmarket—Aurora, Lib.)): Thank you, Mr. Innes. We appreciate your input as always. Thank you for being right on time.

Next up we have Mr. Adams for five minutes, please, sir.

Mr. David Adams (President, Global Automakers of Canada): Mr. Chair, thank you very much.

Honourable members, I appreciate the opportunity to appear before the committee today. The Global Automakers of Canada is a national trade association, representing the Canadian interests of 15 of the world's most respected automakers.

The GAC advocates for sound public policy to support a competitive and sustainable automotive market in Canada. Our members are committed to meeting the mobility needs of Canadians by providing greater consumer choice, offering leading-edge safety and environmental technologies, and eliminating unnecessary regulatory and trade barriers.

In 2017 the members of the association sold a record 1,160,000 vehicles, representing 57% of the Canadian automotive market. This represents growth in sales of 5.5% over 2016's record year. Two of our members actually produced 43% of the vehicles built in Canada. Importantly, these two member companies, Toyota and Honda, were respectively the largest and the third-largest producers of vehicles in Canada in 2017. Additionally, fully 58% of the vehicles sold by our member companies in Canada were built in the NAFTA region, demonstrating a commitment to building where they sell.

Our members have been at the vanguard of the introduction of advanced technology vehicles, whether the technologies be environmental, such as conventional hybrids, plug-in battery electric vehicles, pure battery electric vehicles, or hydrogen fuel cell electric vehicles, or vehicles incorporating the latest advanced driver assistance systems and increasingly high levels of automation.

At the outset, it's important to note that the Global Automakers of Canada has been fully supportive of all rules-based, trade-liberalizing agreements, despite the composition of our membership, which includes Japanese, European, and Korean manufacturers. This was the case with NAFTA, the Canada-Korea FTA, the Canada-EU CETA and, most recently, the CPTPP.

Our position is no different with respect to the proposed Canada-Mercosur FTA. Free trade with the Mercosur countries continues the trade diversification strategy that has been the hallmark of both the current government and the previous one. For the automotive industry in Canada, trade diversification is very important.

The five American and Japanese vehicle manufacturers currently producing vehicles in Canada established their operations to take advantage of sectoral free trade between Canada and the United States. It goes back more than 50 years, to the days of the Auto Pact. Sectoral free trade evolved into the Canada-U.S. Free Trade Agreement in the late 1980s, which evolved further into the North American Free Trade Agreement of the 1990s.

That short history of Canadian automotive production is simply to underscore the fact that from a vehicle production perspective, all plants in Canada were established to take advantage of the economies of scale of larger production runs for the North American market, such that roughly 85% of Canadian vehicle production is exported, and the vast majority of that to the United States.

With the resurgent automotive industry of the last few years, the North American market has absorbed virtually all the vehicles that can be produced from Canadian facilities. However, should access to that North American market become less certain or constrained, then the importance of having fair and unfettered access to other markets, such as the Mercosur countries, could be very important.

Right now, however, tariffs for vehicles and parts going into the Mercosur countries are in the 30% to 35% range, which is higher than almost anywhere else in the world. Such a high tariff structure has allowed countries like Brazil to become the eighth leading producer of vehicles in the world, producing almost three million vehicles in 2017. This is almost a million vehicles more than Canada, which ranks as the 10th largest producer in the world.

The Brazilian market is well represented, with more than 13 global manufacturers producing vehicles there. Under a Mercosur FTA, though, the elimination of tariffs on vehicle parts and supplies could present opportunities for Canadian parts makers and advanced technology companies. This may be particularly true for the technologies of the present and near future related to connected and automated vehicles and artificial intelligence, where Canada has expertise and a comparative advantage.

Finally, an FTA with the Mercosur countries would expand the Americas trade bloc. This, we believe, would make the whole of the Americas more resilient to the threats posed by China, which is currently producing roughly a third of the 100 million vehicles of global production.

With that I'll end my comments, and I look forward to your questions. Thank you very much for your time.

● (0955)

The Acting Chair (Mr. Kyle Peterson): Thank you, Mr. Adams. I appreciate your comments, and you were right on time as well, so that's always appreciated by the committee.

Just before we start, I want to say welcome to a new member.

[*Translation*]

We welcome, Ms. Laverdière, from the riding of Laurier—Sainte-Marie.

Welcome to our committee, which is in my opinion the best parliamentary committee.

[*English*]

I think we're going to start with Mr. Carrie, for five minutes, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I want to thank the witnesses for being here.

I thought maybe I could start off with Mr. Adams. You mentioned the importance of diversification, and right now there are a lot of talks ongoing about NAFTA, of course. In the timeline we're in right now, should other free trade agreements be a higher priority than the Canada-Mercosur free trade agreement? What would be your thoughts on that?

Mr. David Adams: I think right now that in the entire automotive industry, and I would suggest probably most of the industries, the focus is on the renegotiation of NAFTA and getting that agreement right. Certainly that's been the fundamental agreement under which the automotive industry in Canada has operated for the last almost quarter-century. I think it's important that the treaty get renegotiated in a way that is beneficial not just to the United States but also to the Canadian and Mexican automotive industries as well. That would be the clear priority.

● (1000)

Mr. Colin Carrie: All right.

If we're going to be able to move forward with a successful Mercosur agreement, I was wondering this. We've heard about the technical barriers and such things that these countries put on Canadian firms. Are you able to give us some more examples of what these technical barriers might be and how we could address them in the agreement between Canada and the Mercosur countries?

Mr. David Adams: I've looked at some of the testimony. I think other witnesses have maybe touched on some of the barriers that do exist. All I would say to that is that I think that is part and parcel of any negotiation: to recognize that you're not only talking about tariffs, but you're talking about other things like standards and other tax regimes and that sort of thing that can be trade barriers. There's no point in negotiating a free trade agreement that only addresses tariffs if the other structure around that is resistant to opening up markets.

At the same time, I would say that we need to be cognizant of our own backyard as well. I think as we've expanded our trading agreements, implemented the CETA, there's an opportunity there that exists; and for our members, the ability to bring advanced technology vehicles, for instance, into the Canadian market is sometimes constrained because of the requirement that those vehicles must meet CMVSS or FMVSS motor vehicle safety standards, which Canada and the United States have developed. A large chunk of the rest of the world adopts UNECE standards, which are different from Canadian or American standards, but they're only different. So let's be careful about pointing a finger when we may have fingers pointing back at ourselves.

Mr. Colin Carrie: One of the witnesses before you said—I think I wrote it down here—"trade begins at home". When I look at the automotive industry here in Canada, I think home is Canada, the United States, and Mexico.

You kind of touched on it a little bit, but what kid of potential do you see for the members of NAFTA as far as the opportunities with Mercosur are concerned? Is it a large potential that you see, or what kinds of opportunities do we have down there?

Mr. David Adams: I would characterize it personally as somewhat niche, for automobiles anyway. I think for automotive parts it's probably a different story. As I mentioned in my remarks, some of the advanced technologies that will be built into the vehicles of the coming decades are probably more of an opportunity. Again, that needs to be addressed for access for that technology into that market.

You look at that market right now. Brazil, for instance, I think has 14 different manufacturers, American, European, and Asian. So you do look at that and ask what the opportunity is for Canada, whether it's Toyota, Honda, Ford, GM, or Chrysler, to export into that market when those manufacturers are already there.

The Acting Chair (Mr. Kyle Peterson): Thank you for that.

Before we continue, I want to take a couple of seconds to recognize some students here from Havergal College in Toronto.

Welcome to the trade committee. It's great that you're taking an interest in the trade committee. I think I speak for all of the committee members when I say we need more young people in trade and more women in trade. It's great to have you here today with us.

Welcome. We hope you enjoy the rest of the proceedings.

On that note, we're going to move to the Liberals, to Mr. Dhaliwal, for five minutes, please.

Mr. Sukh Dhaliwal: Thank you, Mr. Chair.

I would also like to commend the college students for being here today and welcome them as well.

My question goes to the Canola Council of Canada.

Your website states that your mission is:

> to advance the growth and profitability of the canola industry based on innovation, sustainability, resilience and the creation of superior value for a healthier world.

You mentioned only two of the countries, Japan and China, with which we are at a disadvantage compared with Australia. Do you see any advantage to signing this agreement that will fulfill that mission? Besides China and Japan, what are the other countries we should be looking into, and why?

● (1005)

Mr. Brian Innes: I'll start by saying that we don't see significant opportunity in Mercosur, because they produce many of the same things we do and are very competitive large exporters of oil and protein already.

That being said, so is the United States, and yet they are our largest market for canola. If we are as a country embarking on negotiations, we should try to get rid of barriers wherever they exist.

We see much more opportunity in Asia, where the protein and oil from the world is going. Whether it's from South America or North America, the oil and the protein that we produce from our crops is primarily being exported to Asia.

The two countries I mentioned, Japan and China, represent the largest opportunities. Other opportunities exist in the trans-Pacific partnership in countries, such as Vietnam, that are importing much larger quantities of protein to feed their livestock, as well as high-quality oil.

Other countries throughout the Asia-Pacific region offer opportunities; for example, India. If that trade situation were stabilized, if we did not face extremely high and unpredictable tariffs and very unpredictable non-tariff barriers, there could be opportunity in India, as well.

Mr. Sukh Dhaliwal: You mentioned India. How do you see Australia and Canada? Are we at a disadvantage, or are we on the same level playing field with Australia?

Mr. Brian Innes: Unfortunately, we're all subject to the same problems in India.

Mr. Sukh Dhaliwal: That's good to hear.

Some hon. members: Oh, oh!

Mr. Sukh Dhaliwal: We were recently in Malaysia. When we were talking with them, they said they had to give up a lot to sign up trade with India. I'm certain that you probably feel the same way.

You mentioned that looking at China and Japan is going to create 33,000 jobs. That's a fair bit. As the chair mentioned, in farming communities, particularly the field that you are in.... How would you encourage more women to become involved in farms? How would they be able to take advantage?

Mr. Brian Innes: When we say 33,000 jobs, that's only from the Chinese agreement. The trans-Pacific partnership would bring many more.

When we look at the opportunity for equality in our sector, we have seen, right from the very roots of farming in Saskatchewan, that it has very much been a partnership opportunity on farms. We're seeing an increasing number of women as farm operators as well, taking primary responsibility for the operations.

The 250,000 jobs in agriculture are for farmers, yes, but also for highly skilled engineers, whether they operate our processing plants or are involved in exporting our products around the world. From a business perspective, then, we see opportunities in the highly skilled areas, whether in the life science world of developing new technology, among the highly skilled operators who are required for our processing plants, or increasingly, also on the farm.

For example, look at the number of women engaged in agricultural education. In many colleges across the country, enrolment is favouring women more than men at the moment.

There are, then, many opportunities in agriculture, regardless of gender.

The Acting Chair (Mr. Kyle Peterson): Thank you.

[*Translation*]

Ms. Laverdière, you have the floor for five minutes.

Ms. Hélène Laverdière: Thank you very much, Mr. Chair.

Welcome to the students of Havergal College, our future colleagues.

Mr. Adams, according to what I understand, there are import licences in Brazil for automotive parts. In the United States, at least according to certain reports of the American government, there are often long waiting periods before obtaining those licences that allow them to export goods.

Is this a problem in your experience? Should it be taken into consideration in negotiations?

● (1010)

Mr. David Adams: Thank you for the question.

[*English*]

I, unfortunately, can't speak directly to that issue. I don't represent parts makers in Canada. I would encourage the committee to bring the Automotive Parts Manufacturers' Association before the committee to discuss these topics.

Obviously the import licences represent a challenge. Again, notionally speaking, if there is a delay in issuing those licences, or other, I guess, administrative games being played around the issuance of those licences.... Again, that would certainly be fodder for trade negotiations going forward to make sure that if those licences were to stay in place, some of the issues surrounding those would be eliminated to ensure open opportunity for Canadian parts manufacturers to export to those countries.

[*Translation*]

Ms. Hélène Laverdière: Thank you very much.

I'd like to ask you a more political question. I don't know if you be able to answer it.

You mentioned that currently, the industry is focusing on NAFTA negotiations. I don't know if we can say that there is a delay in negotiations, but proceedings have again being postponed for a few weeks. There are going to be elections in Mexico this summer, and in addition there are the midterm elections.

What is the current state of those negotiations?

I know that this is not the main topic of our meeting, but I can't resist taking this opportunity to ask you that question.

[*English*]

Mr. David Adams: I'll try to be very quick.

It's been certainly a different negotiation, and some would say it's not been a real negotiation at all.

As you mentioned, we are running into, I think, the short strokes of getting an agreement finalized. We do have the constraints of the Mexican election on July 1 and, as you mentioned, the U.S. midterms that are coming up. Ambassador Lighthizer has been clear about May being the opportune time to get a deal in principle done.

I'm not sure that if something doesn't get done, it means the agreement is over with. I think it means that we get into this whole period of a "zombie NAFTA", as it's been called, where the negotiations are in limbo until things settle down both in the U.S. and in Mexico.

There is a desire, though, to get this agreement before the current U.S. Congress; I know that.

[*Translation*]

The Acting Chair (Mr. Kyle Peterson): You have one minute left.

Ms. Hélène Laverdière: Okay.

I'd like us to talk about the implementation of the Trans-Pacific Partnership. Forgive me, I normally sit on the Standing Committee on Foreign Affairs and International Development, and this may influence my questions somewhat. That committee is currently studying the Canada-Asia-Pacific relationship. According to testimony we have heard, aside from such an agreement, Canada must adopt a more integrated approach to Asia and increase its presence on the ground at all levels.

Would you agree with that assessment?

[*English*]

Mr. Brian Innes: Yes. We see the trans-Pacific partnership as the ideal way to help build stronger ties in Asia. We see the markets growing in Asia. We see this agreement is based on the rules-based framework that Canada has excelled at, including ensuring that measures around food and agriculture are based on science.

When we look at our ability to have tighter relations with Asia, the ability for our industry to prosper through a rules-based system, the trans-Pacific partnership, the CPTPP is such an opportunity and is on the path to help us do exactly as you describe.

The Acting Chair (Mr. Kyle Peterson): Thank you.

Mr. David Adams: I would concur with that.

For our membership, the CPTPP agreement is very important in levelling the playing field for all our member companies, and indeed the whole automotive industry, by gradually putting all manufacturers and importers on a pathway toward zero tariffs coming into Canada.

The Acting Chair (Mr. Kyle Peterson): Thank you for that.

For the benefit of those who recently joined us, we are completing our study of a potential free trade agreement between Canada and Mercosur, which is Brazil, Argentina, Uruguay, and Paraguay.

With that, we're going to continue.

● (1015)

[*Translation*]

Ms. Lapointe, you have the floor for five minutes.

Ms. Linda Lapointe: Thank you very much, Mr. Chair.

Welcome to the witnesses.

I also want to welcome the Toronto students. It may be up to you in a few years to sit in these chairs and ask questions. That is what I wish for you. Go as far as your dreams will take you.

My first question is for you, Mr. Innes.

You spoke earlier about sanitary measures and science-based agriculture, but I'd like to hear you talk about our export capacity. We can discuss free trade agreements, but are we limited by our export capacity?

Mr. Brian Innes: Thank you for your question.

[*English*]

When we look at our capacity to export, it's not a limitation on our capacity to produce. There are some limitations on our transportation network, as the committee heard from the previous witness. Our industry has been very vocal about the importance of passing Bill C-49 without delay because that does set us up for a stronger framework in the future to get our products from where they're produced to tidewater. There are also other limitations when it comes to infrastructure. In the Port of Vancouver, for example, we look for investment in infrastructure broadly to enable our product to get from where it's produced to export. The investments in infrastructure, both in transportation and at port, are all important for our sector.

[*Translation*]

Ms. Linda Lapointe: I have another question.

Earlier you said that Mercosur produces a lot of canola, as does Canada. Do you benefit from an exchange of temporary workers between the northern hemisphere countries and those of the southern hemisphere?

Mr. Brian Innes: That is not very common in our sector. Mercosur countries produce soybeans and we produce canola. Both are oil seeds that produce oil and proteins, but our crops are not identical. Mercosur countries, for instance, produce very little canola.

Ms. Linda Lapointe: I have a question for you, Mr. Adams.

Earlier a witness told us that at this time Canada encourages businesses to be more productive and innovative rather than looking to free trade agreements like the one with Mercosur.

I'd like to hear your opinion about that.

[*English*]

Mr. David Adams: Right now, from a manufacturer's perspective, I think other witnesses have highlighted the fact that Canada is a fairly high-cost jurisdiction for producing vehicles in this country. That being the case, one way of addressing a high-cost structure is to become more productive and innovative in what you do. Certainly, I would look at it as two parallel tracks that need to be pursued. Certainly we need to become more productive and innovative in what we're doing, but we also need to keep our eye on the ball to ensure we retain access to the markets we have already secured through free trade agreements, and as Mr. Innes pointed out, that we move forward with the implementation of other free trade agreements like the CPTPP, which provide benefits as well. In our view, free trade has proven to be a good measure in increasing overall GDP and increasing employment and so forth. We see them as two parallel tracks.

[*Translation*]

Ms. Linda Lapointe: Regarding vehicles, you explained that there are a lot of manufacturers in the Mercosur market. Should there be an agreement, do you think we will be able to increase our automobile exports to Mercosur countries?

[*English*]

Mr. David Adams: If there weren't automakers there, we could increase our exports?

[*Translation*]

Ms. Linda Lapointe: Yes.

[*English*]

Mr. David Adams: Yes, I think that would certainly be more of an opportunity for Canada, for sure, if existing automakers weren't there.

Having said that, every production facility doesn't make a range of vehicles. Each one might make one or two models, so there's always an opportunity to export, say, a model that isn't being made by a certain manufacturer, even if that manufacturer is in that jurisdiction.

Obviously from my perspective I think if there were no automakers producing there, that would be a much bigger opportunity for Canada.

● (1020)

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

The Acting Chair (Mr. Kyle Peterson): Thank you very much.

[*English*]

Madam Ludwig, you have five minutes, please.

Ms. Karen Ludwig: Thank you.

Good morning.

Also good morning to the students and teachers in the back. Welcome to Parliament. I would encourage you to come here as often as you can. Not only do we need more women in trade, we need more women in politics. There's a line that I particularly like to use. You cannot be what you cannot see. I think it's really important that you see women around this table who are representing our areas of the country, and certainly have important roles here in Parliament.

I am going to direct my first question to the canola industry. We have heard about the transportation challenges, but we've also heard about the challenges regarding labour in the agricultural sector. We heard about the need for further investment in innovation in the Canadian economy.

How do you see that playing forward, with an increased opportunity for further global markets in the canola industry?

Mr. Brian Innes: Yes, absolutely, there is huge opportunity for more innovation in our sector. We have expanded what we grow, based on the demand for healthy oil, and we feed our protein to livestock such as dairy cows and fish, but we see a huge opportunity in the future to take the protein in the canola and be able to transform it in a way that we as humans can have that as a source of plant-based protein for our diets.

When we look at what we produce in Canada, Canada is a global leader in canola. Seventy percent of all the canola traded in the world comes from Canada, and we have a huge opportunity to have some made-in-Canada innovation to take the protein that is currently in canola and make it into a form that can be a plant-based protein for humans in Canada and North America and around the world.

The protein industries supercluster we see as an opportunity to help us commercialize that, not just for canola, but for other prairie crops, like pulses, for example. There are incredible opportunities to take what we're doing really well and add more value to it and provide an opportunity for more plant-based protein around the world.

Ms. Karen Ludwig: Thank you.

Certainly with my constituency youth councils—I'm going to tie this in to the students in the back—one of the areas of concern has been climate change. I represent the riding of New Brunswick Southwest, and we are under serious flooding. It's the worst situation we've had in 50 years.

In terms of climate change for the agricultural sector in the west, what impacts have you seen, and what mitigating opportunities do you see?

Mr. Brian Innes: Farmers are directly in touch with nature. Right now they're looking to get out on the land, to be able to seed this year's crop, and hopefully get good weather to harvest it as well. They're very in tune with both the weather and the changing climate around them.

What we've done in agriculture over the last 10 to 20 years is transform how we grow our crops in Canada. We grow them in western Canada without tilling the soil, and that means we're able to conserve more water, conserve the soil, reduce greenhouse gas emissions, as well as reduce fuel consumption. We're adapting to the changing world by growing our crops differently, and we're using technology to help us do that.

For example, zero tillage requires us to have the best crop protection products to take care of the weeds, because we're not tilling the soil to kill the weeds. We're keeping the carbon in the soil but we need to be able to control the weeds at the same time. When we look at Canada's place in the world, it's about making sure that trade is governed by science-based regulations, and that means that we do that in trade agreements, and we ensure that our regulators, the people who are the scientists, have the ability to help us solve challenges that come up with regulations that differ from one country to another.

Ms. Karen Ludwig: Thank you.

Taking that a little further, Mr. Innes, there have been concerns about the burning of the Brazilian rainforests over the last 20 to 30 years, and the opportunities they would have given us for new penicillins, new types of research in medicine.

Having Canada involved internationally, what role do you think Canada could play, let's say in Brazil through a trade agreement, in maybe having some input in the area of science and others, in, for example, the Brazilian rainforest?

● (1025)

Mr. Brian Innes: That's a very good question. I don't profess to being an expert on the Brazilian rainforest, but I do know that in our experience in trade, when we have expanded our productivity and our ability to trade, that has actually led to better environmental outcomes here in Canada. There are provisions around the environment in trade agreements. When we look at the opportunity through trade, we see that as an opportunity to also increase our sustainability.

For example, we've increased our productivity in Canada by growing crops on land we didn't grow crops on before. We used to summer fallow it or leave it open in the summer to try to take care of the weeds, which meant the soil dried out and blew away in some circumstances.

When we look at the increased productivity we've had in Canada, which has led to us trading more in agriculture, we've done that at the same time as we've really improved our environmental outcomes. There are opportunities in trade to do both.

Ms. Karen Ludwig: Great. Thank you.

That's all my time.

The Acting Chair (Mr. Kyle Peterson): We'll go now to Mr. Hoback for five minutes, plus 20 seconds that Mr. Carrie didn't use.

Mr. Randy Hoback: Thank you, witnesses, for being here this morning.

Again, welcome to the students who are here. I hope you come back. This is a good committee. It's actually one of the committees that functions fairly well. We work together. We do get political and partisan once in a while, but that's usually very rare. Mind you, I will get a little partisan right now.

Ms. Karen Ludwig: We get along.

Mr. Randy Hoback: Mr. Innes, you talked about the TPP and the importance of ratifying that. I agree with you. We've been saying that, and I think most of the committee members here are just actually waiting for it to come into the House so we can put it through this committee. In fact, as an update for you, I think we do have some free meeting time available in June, so hopefully if we see it come through the House anytime soon, we'll have time in the committee to put it through. We're actually going to do a pre-study on the changes in TPP so we can focus on that.

We've already studied the original agreement fairly extensively. We just want to know what's different. The committee will be excited to get on to that once we finish some of the studies here and see that our House leaders actually get it into the House and through. Hopefully that will be done sooner rather than later.

I'm really glad to hear you talk about no-till and minimum till. To put it in perspective, my colleagues, if you'd gone out to the farms in Saskatchewan in the 1980s, if you had a dry season, you wouldn't have a crop. It would blow away. We can remember scenes of the dirty thirties, things blowing and blowing, and dust everywhere.

Now, if you can get four or five inches of rain, you have a crop; and if you get 10 inches of rain, you have a bumper crop. That's showing up in our canola yields for sure. That's why we need market access, because they are taking care of the land, sequestering carbon, and doing a way better job than our parents and grandparents did, just because they have better technology to do it with.

If you could take that technology, such as MacDon and Case New Holland produce, and ship it to Argentina and Brazil, they can do the same thing, then, too. It actually does create a better global footprint from carbon sequestration.

The canola sector has a very ambitious game plan to not just increase acres, but increase volumes, but there are some challenges. We heard some challenges here in previous testimony about getting product to market. Maybe you could just talk about some of the challenges that you think we still need to overcome domestically before we start really going after things such as Mercosur.

Mr. Brian Innes: When we look at our strategic plan for the industry, we're looking to have stable and open trade. In terms of the mandate of this committee, we're looking to improve productivity through sustainable production and we're looking at making sure we maximize the value of what we produce. Internally, here in Canada, there are many things that the industry is doing for the three pillars of the stool, and government also has a role when it comes to things such as infrastructure and the transportation system we have for rail. I'll repeat that Bill C-49 is an incredible move forward to help us have better rail service, and we hope that bill passes as soon as possible.

When we look at other things that help us grow, as well as barriers that we see here in Canada, it has to do with the limited regulatory capacity we have to enable our exports globally. We need our scientists to be able to work with other scientists in other countries. That means that regulatory agencies such as the Canadian Food Inspection Agency and the Pest Management Regulatory Agency need to have the mandate and the resources to be able to have science-based rules that help us to trade.

Those are some of the main ones we face. Certainly when we look at how we adapt to climate change, we need to do so in a way that maintains our competitiveness as well. Our industry is working very collaboratively with jurisdictions to get frameworks in place that help our processing plants and our growers do that.

Mr. Randy Hoback: If there's one thing that really frustrates Saskatchewan farmers right now it's that they have been sequestering carbon for years and nobody is willing to give them credit for it. Then they want to throw on a carbon tax, which is actually going to increase our farmers' costs and make them uncompetitive in the global marketplace because countries they compete against don't necessarily have the same costs of the carbon taxes and things such as that, which we're putting on here in Canada. It's concerning.

Now, you talked about Bill C-49. I assume you're talking about the bill with the amendments that were made in the Senate. I assume that all those farm groups are basically saying they needed the amendments to actually make Bill C-49 work for them moving forward. Do you not agree?

● (1030)

Mr. Brian Innes: This is not something the Canola Council takes a position on, but my understanding of our members—the growers, the processors, and exporters—is that they would like the amended agreement to pass as quickly as possible.

Mr. Randy Hoback: Yes, they'd like to see it as urgently as possible.

You talked about the possibility of opening the market for canola oil in Brazil. Actually, I think there is some potential. They like to fry a lot of foods and to have a healthier oil, just like you would like to see healthier oils in the Asia-Pacific market—over palm oil, for example.

There are some opportunities there. What would you need from the government to seize those opportunities? What would that have to look like for you to really take advantage of them? What needs to be in that agreement?

Mr. Brian Innes: First, we need to eliminate the tariffs.

Mr. Randy Hoback: Do you mean the 10%?

Mr. Brian Innes: That would help. A 10% tariff may not seem like a lot compared to other sectors, but in a sector like canola, that's very high, especially when they are major oilseed producers themselves. Getting rid of the tariffs is number one.

Second would be ensuring that we have a commitment to science-based rules around how we regulate plant, animal, and human health, through sanitary and phytosanitary measures. A commitment to that is incredibly important. We've seen in other countries, whether in Europe or elsewhere, that these regulations can be misused and really block our exports.

Mr. Randy Hoback: China, for example.

Mr. Brian Innes: China as well.

Third, I would say that when it comes to plant breeding innovation, we need to have language in there that supports our innovative sector here in Canada to bring new plant breeding innovation to market and to trade that back and forth between countries.

Mr. Randy Hoback: Maybe I'll stop there.

The Acting Chair (Mr. Kyle Peterson): Thank you, Mr. Hoback. You did use the extra time, so that's good. I'm glad you put it to good use.

We're going to go to our final questioner, Mr. Fonseca. Then, with the support of the committee, perhaps we'll adjourn a few minutes early—five minutes earlier than normal—just to give the students some interaction with some of the members of Parliament here for those five minutes. That will be, of course, off the record. We'll adjourn before that. If everybody is in agreement with that, we'll follow along those lines.

Some hon. members: Agreed.

The Acting Chair (Mr. Kyle Peterson): I'm going to turn it over to Mr. Fonseca for the last five minutes.

Mr. Peter Fonseca: Thank you very much, Mr. Chair. I too would like to welcome the Havergal students and staff who are here with us today. I'm sure you feel right at home. I know that your school has the same kind of Gothic stone that we find here at the Parliament buildings. You're modernizing it now, I see, in the back and on some of the sides. Welcome.

Mr. Adams, you brought up that on some of the lines down in Brazil, as one of the largest car manufacturers in the world, they may not have some of the models we produce here in Canada or in North America. Do you know what kinds of cars we would be exporting, which ones would we be exporting to Brazil, Argentina, and other Mercosur countries?

Mr. David Adams: I don't have an indication of that. I could probably determine that by consulting with our members, to figure out, if they did have the opportunity to export down there, which ones might be the ideal candidates.

Mr. Peter Fonseca: So at this time they're not exporting at all?

Mr. David Adams: To my knowledge, no.

Mr. Peter Fonseca: No cars are going. Is that because of the 35% tariff that they brought up? Do you think that would be the major barrier to getting cars down to that part of the world?

Mr. David Adams: Yes, and I think some other witnesses have noted that at the peak, it was only about 20,000 units or so going into the whole Mercosur area. If you're looking at what some of the inhibitors are, certainly, the tariffs would be the major issue in terms of exporting vehicles down there, for sure.

Mr. Peter Fonseca: Thank you.

Beyond that, how about the non-tariff barriers?

Mr. David Adams: The non-tariff barriers, I think, are significant going into those countries. Those would need to be addressed in a free trade agreement as well.

If I could just chime in on welcoming the students as well, the Global Automakers of Canada is a supporter, a sponsor of the Forum for Young Canadians. We encourage young people to get involved in the process that they provide for students to come up to Parliament Hill and spend time better understanding our parliamentary process.

Sorry to eat into your time.

Mr. Peter Fonseca: Well, thank you for that support. I'm glad you're wearing the right tie—he's wearing a green tie just like the students here—so you're a full-on supporter.

As we've been doing various studies and various trade agreements, we've heard from many of the witnesses that in Japan and Korea there are many non-tariff barriers for vehicles. That has been the subject of much discussion here. Are the barriers that those two countries have the same as they would have down in the Mercosur countries?

● (1035)

Mr. David Adams: I would encourage the committee to actually take a closer look at what some of the supposed barriers are, going into both Japan and Korea, because I think some of the information that's often relayed is based on outdated information in terms of access to those countries. We certainly don't want to preclude any opportunities for exports, but as I said in my remarks, the reality is that, currently, the five vehicle manufacturers in Canada are exporting almost all of their 85% to the U.S., and 15% would remain in Canada. There might be some vehicles around the fringe that are exported to other jurisdictions around the world.

Some companies are striving to obtain global mandates to say that they can build a vehicle here and sell it anywhere. Really, what any manufacturer wants to do is to pick a country that makes the most sense for them to produce a vehicle and be able to sell that anywhere in the world.

Mr. Peter Fonseca: Let's look at beyond North America, so Mercosur and other countries.

You spoke to innovation. We're reading about the electric car—

Mr. David Adams: Sure.

Mr. Peter Fonseca: —about the autonomous car, all this innovation that's happening.

Is that the opportunity you see here in Canada: one of the places where a lot of that development is happening, and the ability to export that, or do you see that just staying here in the North American market?

Mr. David Adams: I think Canada has some real competitive advantages in the whole area of the factors that lead into an automated vehicle.

When we think about artificial intelligence, we have world-leading scientists in Canada on artificial intelligence. We have a lot of companies, again, that are world leaders in technology, such as LiDAR technology. There's a world-leading company in Quebec in LiDAR technology. That's a prerequisite for automated vehicles.

Certainly there is a lot of capability in Canada to be part of the automotive industry in the future. I think the challenge is no different from a lot of our challenges of the past. We have the technologies, and how do we commercialize it, bring it to market, and be a world leader in those technologies?

Mr. Peter Fonseca: Okay, thank you.

Mr. Innes, sticking to looking at innovation, the supercluster that you brought up, the proteins, and also with agriculture, I hear that for canola, Mercosur may not be the greatest opportunity. But do you see the Mercosur as...with your whole supply chain?

We just heard from the Agricultural Manufacturers of Canada. They see a great opportunity there. They would be part of that supply chain with canola. Do you see that as building out agriculture in Canada and being able to have a bigger presence and going global?

The Acting Chair (Mr. Kyle Peterson): A quick answer, please, Mr. Innes.

Mr. Brian Innes: Being globally competitive is what Canadian agriculture has succeed at, so opportunities for the whole sector to do that are important. For the canola sector, we focus on where the greatest opportunities are.

The Acting Chair (Mr. Kyle Peterson): Thank you.

Thank you, Mr. Fonseca.

Thank you, Mr. Innes and Mr. Adams, for being with our committee today. We always appreciate your input. If there's anything that you need to follow up with, please reach out to the committee and submit any other information you think might have been overlooked. We're happy to accept it.

On that note, we're going to adjourn a couple of minutes early to have some time to network with our students here from Havergal College.

Once I adjourn, students, feel free to come forward and work your way through the room as you see fit.

Thank you, everybody.

The meeting is adjourned

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: http://www.ourcommons.ca

Publié en conformité de l'autorité du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : http://www.noscommunes.ca